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## **Culture-bound management in China**

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## Abstract

Deeply rooted in its history, the fundamentals of Confucianism and Daoism have persisted as the core values in China. The country's most contrasting cultural characteristics compared to Western nations are its high power distance and collectivism. Many Chinese indigenous concepts, organizational structures, and management can be traced back to these two cultural dimensions. While China has been witnessing unprecedented growth, the interplay between traditional values and emerging behavior patterns is crucial for understanding a transition society like China.



# CULTURE-BOUND MANAGEMENT IN CHINA

This article examines the relationship between national culture and management in China's context. Based on Hofstede's culture model, the six cultural dimensions will be treated as the main variables accounting for the management settings that have evolved in China over the past three decades.

by Xinhua Wittmann

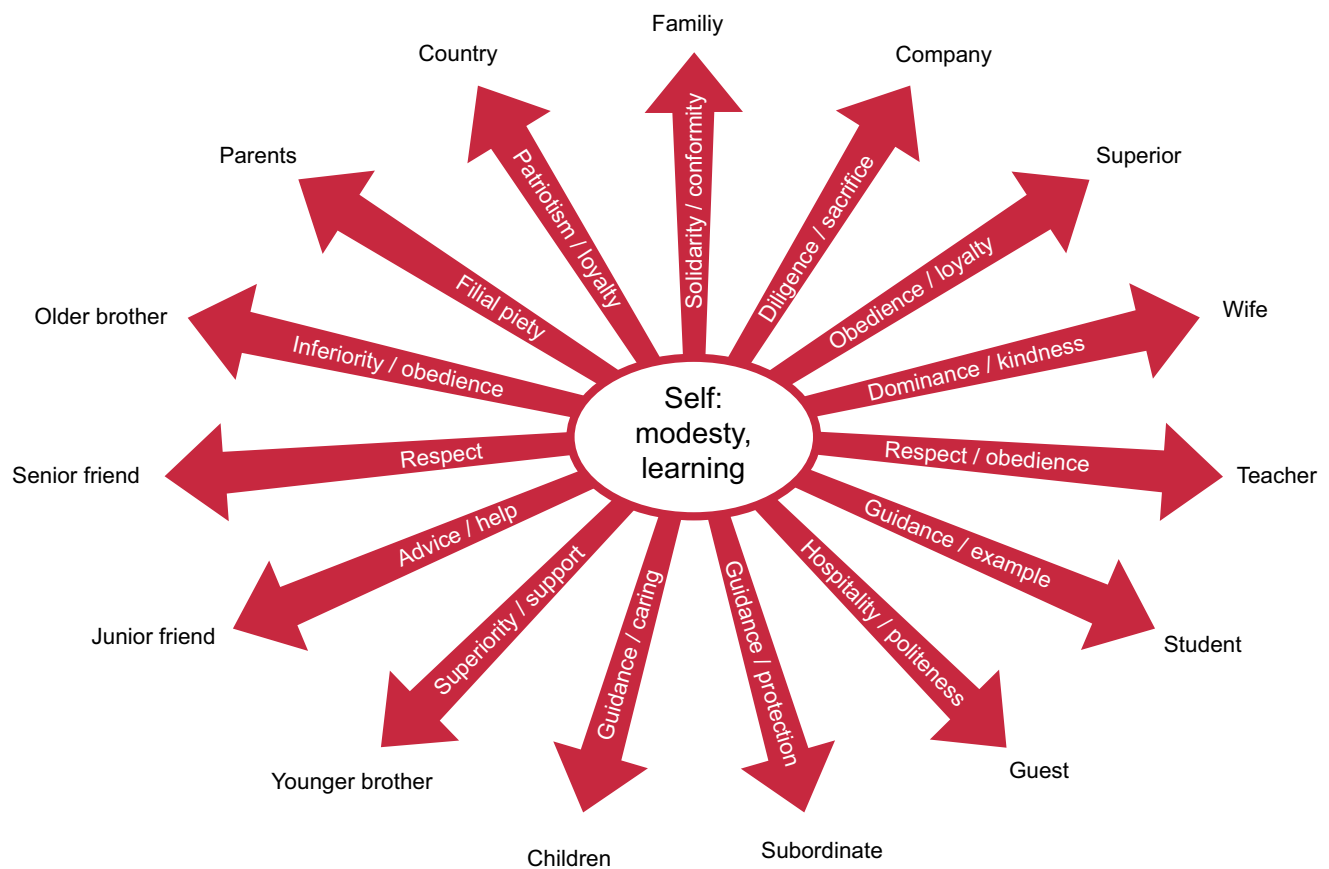
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China is not only the most populated country, it is also home to the world's oldest and most continuous culture. In the past three decades, China has been subject to massive changes characterized by a broad scale of economic reforms, restructuring of state-owned enterprises, the emergence of private firms, and a continuing influx of foreign direct investment. Parallel to these changes, China has been exposed to modern management thoughts and Western ideas. However, management scholars and business practitioners have recognized that intrinsic differences still exist in terms of management practices and organizational behavior between China and Western countries. The cultural perspective is often used to explain some unique aspects of management and organization at country level. The hierarchical orientation and in-group collectivism have become commonly regarded as an inherent characteristic of Chinese culture<sup>1</sup>. To understand the mind-set of modern China, we need to examine the historical sources for the dominant tenets of their values and beliefs.

## The Cultural Roots

Throughout China's long history, Confucianism has occupied the mainstream of Chinese philosophy for over two thousand years. "Confucianism" is the teachings of Confucius, which is a set of pragmatic rules for daily life, derived from Chinese history. The name of Confucius is a westernized version of "Kong Zi" – the family name is "Kong", and "Zi" was given to the greatest sages in ancient China. Confucius was born in 551 BC in Qufu, a town in today's Shandong Province of China. Working as an employee in administration, he was a consultant in politics and rituals. Due to his job, he often travelled throughout China. After returning to his native town, he opened a school where he gave lessons about his thoughts. After Confucius passed away, his followers wrote down the "Analects of Confucius" (Lun yu), which were based on his ideas of absolute respect for tradition and of a strict hierarchy of primary relationships between family members and between the people and their rulers.

The core of Confucianism includes five virtues (benevolence/charity, righteous-



**Fig. 1: Fundamentals in Confucian teaching**  
(source: Own representation based on Confucius' basic teaching)

ness/justice, propriety/rituals, wisdom/knowledge, and fidelity/trust) and the doctrine of the mean (harmony). Confucius laid down that benevolence or humanistic love was the supreme virtue people can attain, which could be cultivated through education. According to Confucius, the optimal way to govern is not by legislation but by way of moral education and by example: If you lead people with political force and restrict them with law and punishment, they can just avoid law violation, but will have no sense of honor and shame. If you lead them with morality and guide them with propriety, they will develop a sense of honor and shame, and will do good of their own accord<sup>2</sup>. The strong Chinese cultural preference for relying on the quality of interpersonal relationships when conducting business and for settling disputes through mediation rather than basing everything on legal contracts can be seen to stem from Confucianism.

According to Confucian views, the stability of a society is based on unequal interpersonal relationships. That is, everyone restrains his or her ego and absorbs the supreme order of ritual. Confucius claimed the proper patterns of the five status relationships: ruler–subject, father–son, older brother–younger brother, husband–wife, and senior friend–junior friend. Each relationship involves a set of obligations. Unequal relationships do not simply imply infinite advantages for the superiors or seniors. The unquestioned authorities are usually associated with moral duties to protect and exhibit caring to those who show them obedience and loyalty. A righteous and harmonious society could then be achieved if both superior and inferior fulfill their obligations. This is a fundamental contrast to Western beliefs, but it is well accepted and practiced in Chinese everyday life.



The concept of individual in Confucian teaching is widely assumed to be different from the West. The architecture of horizontal order in Chinese society is based on identity with family<sup>3</sup>. A person is not primarily an individual, rather a member of the family or extended family. The family is seen as the prototype of all social organizations.

The basic teachings of Confucius are summarized in figure 1.

Another significant school of thought in Chinese society is Daoism. The roots of Daoism can be traced back to Lao Zi, a contemporary of Confucius, who lived in the 6th century BC and wrote the iconic book “Dao De Jing” on the tenets of the Dao. Daoism has been regarded as one of China’s major religions indigenous to the country. The central idea of Daoism is to promote the inner peace of individuals and harmony with nature<sup>4</sup>. Daoism believes that everything we know is encompassed in nature. The universe and all things in it run according to the “Dao”. “Dao” in Chinese means “way”, “path”, or “principle”, indicating a way of thought or life.

Although China has witnessed a series of institutional changes, Confucianism and Daoism appear to have persisted by and large as the core cultural influences in China and in Chinese work-related values and behavior, as we will see in the next section.

### Work-Related Values

The role that culture plays in management has long fascinated scholars. Since the seminal work of Hofstede on national cultures and organizations<sup>5</sup>, a large body of intercultural management literature has contributed to our understanding of country-specific organizational management and behavior. Based on comprehensive studies of how values in the workplace are influenced by culture in the 1980s, Hofstede conceptualized four clusters of work-related values that distinguish countries

from each other. These four clusters became known as “Hofstede’s cultural dimensions”:

- 1) Power distance relates to ways of coping with inequality and authority.
- 2) Individualism vs. collectivism is related to the integration of individuals into primary groups.
- 3) Masculinity vs. femininity is related to the division of emotional roles between men and women.
- 4) Uncertainty avoidance is related to ways of dealing with uncertainty and ambiguity.

About ten years later, Hofstede’s model was expanded by a fifth dimension:

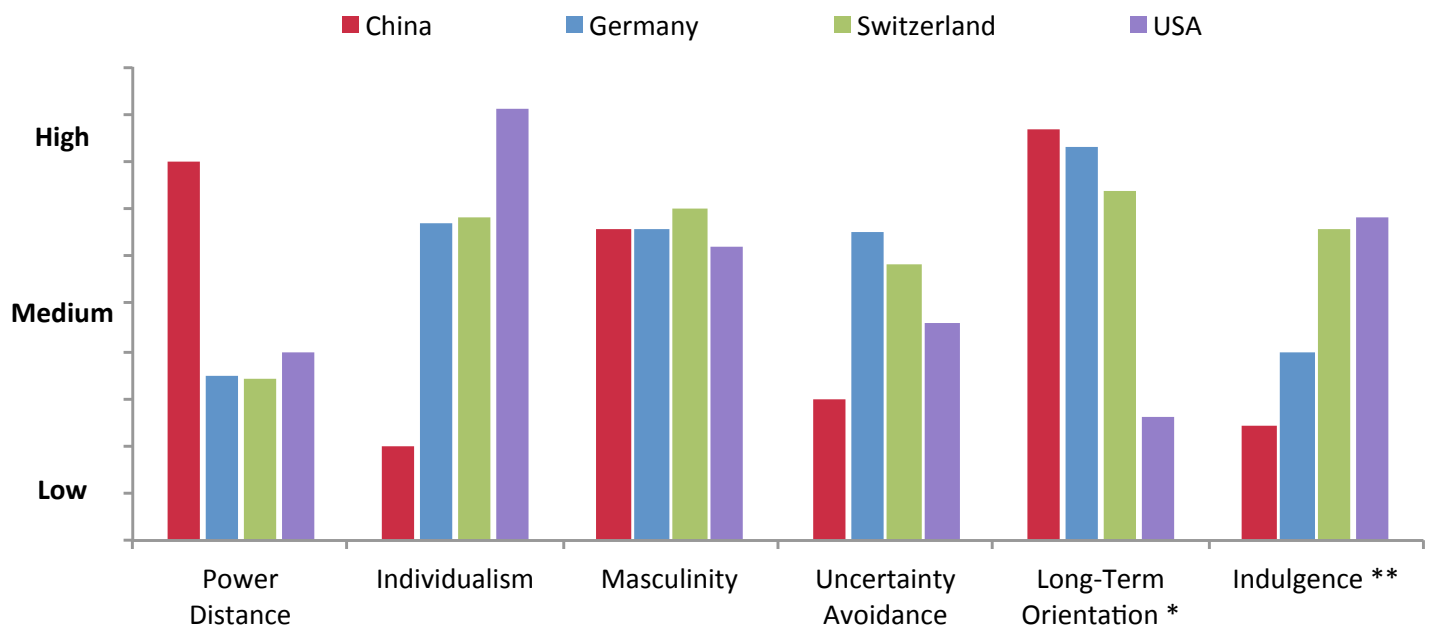
- 5) Long-term vs. short-term orientation.<sup>6</sup>

In the 2010 edition of Hofstede’s book “Cultures and Organizations”<sup>7</sup>, a sixth dimension was supplemented to the five dimensions on the basis of Michael Minkov’s analysis of the World Values Survey data for 93 countries:

- 6) Indulgence vs. restraint, reflecting the importance of leisure or hard work in life.

For comparative studies, Hofstede’s cultural model is very instrumental as each country can be positioned relative to other countries according to the score of the cultural dimension. Figure 2 shows the six cultural dimensions of China in comparison with those of three selected Western countries (Switzerland, Germany, and the USA) through the lens of Hofstede’s culture model.

Against the backdrop of China’s cultural heritage as discussed above, it is no surprise to find that China scores substantially higher in power distance and much lower in individualism compared with Western cultures such as Germany, Switzerland, and the United States. Since the six cultural dimensions shown in figure 2 reflect work-related values of each country, what might the differences between countries’ positions in each dimension imply in the workplace?



\* Scores are based on data from period 1995-2004.

\*\* Scores are based on data 2007.

*Fig. 2: Cultural dimensions indices based on Hofstede's measure in 1980s (source: Hofstede et al. 2010)*

### 1) Power distance

The key characteristic of this dimension in work organizations is the extent of expectation or acceptance of centralized decision structures and authoritative leadership. In management practices, high power distance means that privileges and status symbols are normal, centralization is popular, and there are more layers of hierarchy. Managers rely on superiors and formal rules, subordinates expect to be told what to do, and superior-subordinate relations are emotional. In low power distance countries, hierarchy in organizations is established primarily for work convenience and is often understood as an inequality of roles. Decentralization is popular, subordinates expect to be consulted for important decisions, and superior-subordinate relations are contractual.

### 2) Individualism

In an individualist society, everyone is expected to look after herself/himself and be independent. In a collectivist society, people are integrated into cohesive in-groups, which provide members

with protection in exchange for loyalty. China's score in the individualism dimension is very low. This means that China has a highly collectivist culture, where people act in the interest of the group and not necessarily their own. People are born into extended families or other in-groups. Harmony should always be maintained and confrontation should be avoided. Maintaining respectability is considered very important. Communication style tends to be indirect and highly contextual. Management is management of groups. The employer-employee relationship is basically moral, like a family link. In-group considerations affect hiring and promotions. Personal relationships prevail over task and company, which is why *guanxi* (interpersonal connection) is crucial for doing business in China.

In individualist countries, employees are economic individuals who will act for the benefit of the group if its goals coincide with their self-interest. Employees are expected to be self-reliant and display initiative. Granting autonomy and showing trust are important for motivating

employees. Hiring and promotion are supposed to be based on skills or rules.

### 3) Masculinity

In highly masculine cultures, men are typified as assertive and competitive, and women as modest and caring. In feminine cultures, the gender roles may overlap. In this dimension, China has very similar values as the other three Western countries. All exhibit a higher-than-medium score, that is, they belong to a masculine culture that is driven by and oriented on success. People live in order to work, and earning more money is preferred over reserving more time for leisure. Management as *manège*: decisive and aggressive. People prefer to work for large organizations, and careers are compulsory for men and optional for women.

### 4) Uncertainty avoidance

In an uncertainty-avoiding culture, people feel uncomfortable in unstructured situations and have a psychological need for laws and rules. China is weak in uncertainty avoidance, meaning that the Chinese are comfortable with ambiguity. The Chinese language is full of ambiguous meanings that can be difficult for Western people to understand. At the philosophical and religious level, the Chinese are relativist and tolerate different strands flowing side by side. The fact that many Chinese follow Confucian doctrine, but at the same time also practice Daoism and/or Buddhism, is a good example. Chinese managers are flexible and entrepreneurial. Top managers usually focus on strategy, concerning themselves mainly with the decision process rather than decision content.

In high uncertainty cultures, such as Germany and Switzerland, there is an emotional need for regulations and precision. There are strong beliefs in technical solutions. Formalization, security and punctuality are important elements in management, and top managers tend to focus on the details of decision content and are good at implementation.

### 5) Long-term orientation

In an international comparison, China ranks top in terms of long-term orientation. Germany and Switzerland also have a long-term orientation culture, meaning that persistence and perseverance are important. Hard work and being sparing with resources are promoted, and investment tends to be in long-term projects such as real estate. Traditions can be adapted to suit new conditions, and in business, stress is put on the future market position.

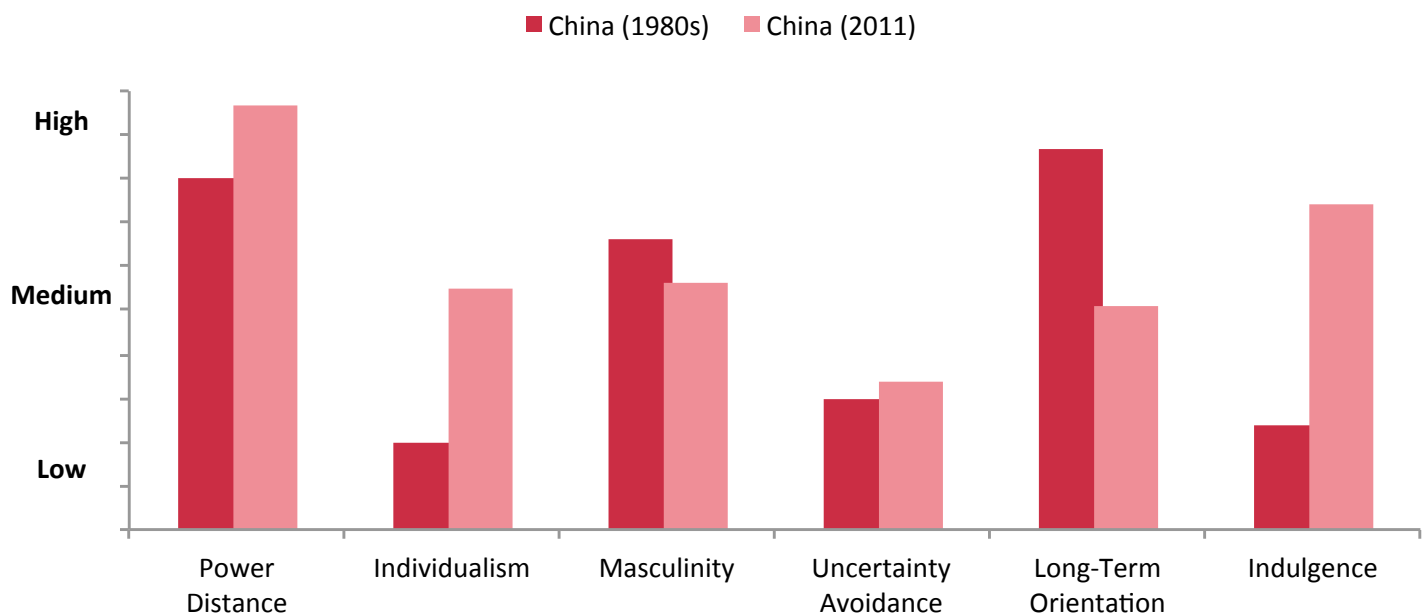
In short-term orientation cultures such as the US, management focuses on bottom-line and short-term profits, which drive individuals to strive for quick results within the work place.

### 6) Indulgence vs. restraint

Here, indulgence means relatively free gratification of basic and natural human drives related to enjoying life and having fun. Restraint suppresses gratification of needs and regulates it by means of strict social norms. On the indulgence–restraint continuum, China and Germany belong to restrained societies. This implies that tight rules and more moral disciplines are normal. Leisure is accorded low importance, maintaining law and order are given high priority, and employees tend to be oriented on formal rules and regulations and have a positive attitude toward work.

### Chinese Culture in Transition

In light of China's unprecedented development and its intensifying interactions with the rest of the world, the distinctiveness of China by reference to its deeply rooted culture may raise the question of how much the work-related values depicted above are still relevant to management in contemporary China. A recent comparative study on culture and management across emerging economies shows some shifts of cultural scores in Hofstede's dimensions<sup>8</sup>. As seen in figure 3, China has demonstrated significant cultural changes in terms of individualism, long-term orientation, and indulgence.



*Fig. 3: Cultural dimensions indices for China in 1980s and 2011*

(sources: Hofstede 1980; Wittmann and Dinh 2012)

Previous research has shown a positive correlation between *individualism* and economic outcome, and the causality can be in both directions<sup>9</sup>: On the one hand, individualist countries are wealthier because individualism fosters innovation, on the other hand, a more affluent economy favors a more individualist culture. Individualism in China has increased from far below medium to a medium level. Since 1978, the Chinese government has gradually reduced its control over social and collectivist processes and encouraged individualistic spirit by “letting some people get rich first”. The drastic increase in living standards at an individual level has provided people with more choices with respect to education, work, and lifestyle. Younger generations view themselves as having more freedom, alternatives, and possibilities than their parents, and they possess a more individual outlook on life. Another influencing factor stems from foreign direct investment. Western firms entered the Chinese market not only with capital and technology, but also with management ideals and skills. The MBA and EMBA curricula of North American business schools have become standard in nearly all executive programs in China.

Modern managers incorporate more individualistic values in their management style; for example, performance-related pay and management by objectives are being increasingly practiced.

Although China has experienced hyper growth in its recent history and everyone (to a greater or lesser extent) is satisfied while benefitting from this growth, life does not seem to be settled. Alongside this rapid development, several social challenges, such as the enlarged gap between the rich and poor, social security, pervasive corruption, a scarcity of natural resources, and environmental problems, may cause people to focus on *short-term gains*. It has been observed that the economic behavior throughout modernizing China is driven by materialistic achievement<sup>10</sup>. This means that many Chinese are shifting to a competitive and self-serving mind-set. A good example of this is the high rate of turnover that many companies have experienced as Chinese employees jump from one position to another because of compensation or impatience about their next promotion. The willingness of employees to work hard is still evident, yet a reward is expected in the form of increased personal wealth. In addition to its traditional



values, such as subjection to hierarchies, concern for *guanxi*, and a clear distinction between in-group and out-group in the workplace, self-oriented behavior as outlined above is emerging. Enjoying life and *leisure time* are becoming popular, especially among young, well-educated generations.

With the continuing growth of national wealth and more openness to the world, will there be a greater degree of cultural convergence? Clearly, further research is needed in order to anticipate the theoretical and practical issues associated with culture and management in this ancient and yet modern society. ▲

## Service

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